



## Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact [support@jstor.org](mailto:support@jstor.org).

# Democratic Organization in the Leeds and Northrup Company, Inc.

By MORRIS E. LEEDS, President

SUCH phrases as industrial democracy and the democratic control of industry have in the past few years come into wide use in connection with a great range of economic experiments, all of which have in a general way as motive a wider sharing of the control and rewards of industry among those engaged in it. However, there does not seem to be any common agreement as to how the conception of democracy taken from the realm of politics shall be given an industrial translation. In political life we think of democracy as a form of government in which all who attain the status of voters have equal authority, but among writers on industrial subjects few, if any, seem to have that conception of it. They do not suggest as a program for the present or even a goal for the future that every one engaged shall have an equal vote in electing the management, and I cannot find that there is in this country any large group of people who believe that such a program should be an ideal future goal. Thoughtful representatives of organized labor, in common with all others who know the complexities of modern industry intimately, recognize the fact that those who have the responsibility of management have to deal with great ranges of problems which require such specialized training and talents that there are comparatively few who are competent to pass judgment on their capabilities.

## THE KEYNOTE OF INDUSTRIAL DEMOCRACY

Equality of opportunity is another expression of democratic idealism

which may be contrasted with equality of power, and is one which it seems to me is much more reasonably applicable to industry. I suggest that it should be the ideal of democracy in industry to insure equality of opportunity—not equality of power or equality of reward, but an equal chance for each to rise to that level of reward and power for which he is qualified.

To illustrate this conception of democracy in industry I shall outline two elements of the organization of the Leeds and Northrup Company, which is engaged in the manufacture of precision instruments and employs some four hundred and fifty people.

## INDUSTRIAL ORGANIZATION

The first element is that which has to do with the executive group, using that word in its wide sense as applying to all the minor as well as the major executives. This element of the experiment is based on the belief that our modern capitalistic industrial system, evolved during the past one hundred and fifty years, with its great and beneficent wealth producing powers, has been, in spite of its glaring faults, a tremendous advantage to our civilization. The conviction that no suggested substitute for it promises anything like equal advantages, and that, therefore, it is fundamentally important that it be conserved and developed and that this can be done only under the management of competent executives.

In order to conserve the hard won experience of the past and on that firm foundation build a structure for the

future even more socially useful, the executives must not only be competent but must also have a social sense of responsibility for the welfare of all those engaged in the enterprise as well as for that of the public. In the belief that there is no other single factor that will contribute so much to this viewpoint, we make it obligatory that the controlling power shall be vested only in those actively engaged in the business and that the executives shall be the real owners of the voting stock, and not responsible to absentee capitalists.

#### *Voting Privileges*

The plan provides that only those who are holders of a form of employees' shares shall have voting rights. These employees' shares may be sold only to such employees as have been with the company for at least five years and who receive a salary of at least \$1,500 per year, but they are not sold by a set plan to anything like all of these. At any time that there is to be a new issue, the trustees, who are the qualified representatives of the holders of employees' shares, decide to what individuals new stock may be issued and how much shall be issued to each, it being the intention that this most qualified group shall select those who are most likely to contribute to the future welfare of the undertaking. When a holder of employees' shares goes out of the business for any cause, his holding is automatically converted into a form of investment shares which draw a fixed and preferred dividend, but do not have a vote except in the contingency of the dividend not being earned. The employees' shares are sold, not given, to those to whom they are assigned. Their value is ascertained by a fixed method, depending on the earnings of the business for a number of years preceding the time of sale. It will be noted that this arrangement makes it possi-

ble to allow any employee of experience to become a holder of the controlling stock, and further that it intends to place the major holdings of this stock in the hands of those who are most competent to exercise control wisely.

Such arrangements as these have much more influence in securely attaching to an organization an able group of executives than would at first thought be expected. A man has a much greater incentive to stay when he is assured that he has an opportunity to succeed to such portion of the management as his abilities and service may justify, and he is under much less temptation to go out and take part in a competitive enterprise than when the form of organization makes it reasonably sure that the control will succeed to some fortunate inheritor of a majority interest. The experience of the Leeds and Northrup Company seems to indicate that executives chosen under this plan naturally come to regard themselves as important elements of an organization which has large responsibility for the welfare of all engaged in it and distinct obligations of service to the public.

#### *The Coöperative Association*

Naturally, the group of actual and potential executives is a minor fraction of the employees, and no scheme of organization could reasonably call itself democratic that did not take into account a very much larger group. To meet this situation the Coöperative Association was organized a few years ago and includes in its membership all of the employees of the company from the latest comer to the president. This association belongs, perhaps, in the general family of shop committees, but differs from most of such committees in its all-inclusive membership.

The formation of this association was a deliberate and democratic procedure.

The project was discussed in the first instance by a comparatively small group of people who approved it and began to give it a definite form; then by a larger group of some sixty of the older employees, who also approved it and further contributed to its definiteness; and following that, by a group representing all of the employees. It worked for something over a year with a provisional constitution, during all of which time it had a constitution committee under appointment. As a result, the constitution in its present form embodies a considerable amount of actual experience. The Coöperative Association has for its object—quoting from the constitution—“To preserve and strengthen the traditional bonds of coöperation between the company and its employees to the end that through understanding and just dealing with one another they may promote their mutual welfare and may jointly render effective service to the users of scientific instruments and to the public.”

When the association was first formed there was no consideration of limiting its members to a particular group of workers. Later on, the question was raised as to whether it should not be limited to manual workers below the grade of foremen, with possibly other associations or committees representing other grades of workers. The question was thoroughly discussed, and there was unanimous agreement that the best interests of all would be served by recognizing the essential unity of interest of all employees and by having them all represented in one association rather than by having two or three associations representing limited groups with limited viewpoints.

The association functions through a board of councillors, which is elected at large by the proportional system of

representation, each employee having one vote unless he has been with the company more than three years, in which case he has two votes, experience being thereby given additional weight. This additional weight was considered important by the older employees and has not, so far as known, caused any dissatisfaction among the newer ones.

### *The Two Purposes of the Coöperative Association*

The name “coöperative” is properly descriptive of the activities of the association in two ways. The first purpose of the association is coöperation among the employees in a wide variety of activities in which they can be mutually helpful. Among these may be mentioned athletics, entertainments, such as dances, dramatic clubs, etc., lecture courses, accident and sick relief associations, coöperative store, oversight of dispensary and lunch room and the publication of a paper. The second manner in which the work is coöperative is in relation to the problems that have to do more directly with the business and in which the employees have a vital interest. Among these are the good order of all parts of the building and grounds, convenience and comfort of work places, locker rooms, washrooms, etc., plans for the most rapid possible assimilation of newcomers, hours of work, overtime pay, lateness and absence arrangements, holidays, procedure in safeguarding employees in case of discharge, and wages.

The association has active committees on all of these subjects. Those which have to do purely with the activities of the employees as a group of people mutually associated, such as athletics and entertainments, function without any contact with the management of the business. Those which have to do with the second group of

subjects, such as wages, work in coöperation with committees on the same subject appointed by the management. In other words, these committees are joint committees. Most of them are standing committees. Through the agency of these committees a large range of subjects of the class mentioned has had very frank and thoroughgoing discussion, and many of them are still under discussion. Just now the wages committee is a particularly important one, as it is endeavoring to evolve a definite payment policy and in addition has under consideration all such questions as vacation arrangements, hours of work and overtime pay.

Only after many years of experience with an association like this, under varying business conditions and with a changing personnel, would one be justified in pronouncing it a success or failure. The Leeds and Northrup Coöperative Association has been organized only long enough for us to have had experience with two councils, but during that time we have gone through the vicissitudes incident to a great rush of war work, a sudden slackening at the signing of the armistice, and during the past few months a rapid increase in business. These conditions have introduced many important problems which have been discussed by the company with the council. The net result of all this discussion is a strong feeling that the interests both of the employees and of the company have been distinctly furthered by this frank mutual discussion.

In all of the subjects under the second group, such as wages, and hours of work, in which the council gives active assistance in forming the company's policy, it does not have any actual power. The final authority rests with the management. There is always, however, an earnest effort on the part of both sets of members form-

ing the joint committees to arrive at conclusions that will be acceptable both to the employees and to the management. Anyone who has dealt with similar situations will recognize that the council has in its power to consider these subjects and to call for joint discussion of them with representatives of the management, very real if not formal powers, for the management could not lightly turn down recommendations arrived at after such careful discussion.

Experience has shown that the rank and file of the employees elect to council a considerable number of representatives of the grade of foremen and subforemen in spite of the fact that their very much larger numbers would enable them to make up a council composed entirely of people below these grades. The fact that the council has in it representatives of all departments of the business, including the sales department, and representatives of varying grades, results in a much more satisfactory discussion of questions than would be likely otherwise to take place. With a council thus made up I believe there is much less likelihood of a one-sided viewpoint becoming crystallized, and therefore difficult to adjust, than would be the case with a less representative council.

Among its minor advantages service on the council and its committees is an admirable means of discovering and training people of executive capacity.

I hope that this brief sketch of these two elements of our organization may have given a fairly clear impression of the ideas and ideals underlying our experiments in industrial democracy. Through the many activities of the Coöperative Association and its numerous committees which in one way and another touch a wide range of employee interests, we hope that the employees may acquire a continually

growing knowledge based on real experience of the conditions under which groups of people can work together for their mutual good, and may come to see how closely their interests are bound together with the welfare of the company, and how both depend on worthy service to our customers. We can see that the association is bringing about these advantages.

We hope that the contacts typified by work on common committees may keep the management in sympathetic touch with all classes of employees and keenly alive to their needs as men and women, who, if industry is to perform its proper function, must be enabled to lead the self-supporting, self-respecting lives of good citizens. The management has profited by these contacts and fully expects to continue to do so.

We hope that the full discussion of the wage problem may lead toward the fundamental basis of high wages, namely, large production and fair treatment of the public; and that satisfactory methods may be worked out for giving payment to each worker, whether with the hand or brain, that is justly proportioned to his contribution. On this problem we can report but little progress as yet, but we believe that there is a substantial basis for that hope.

Through various forms of educational work and the activities of the personnel department we try to see that each worker is helped to advance as rapidly as his capabilities and the opportunities above him permit. We always seek to fill new positions by advancing our own people whenever there are any who are at all qualified, and

thus keep the path of progress open to them.

In all this there is nothing radical, perhaps nothing that is even new in the sense that it has not been used elsewhere, although the particular combination of elements that make for democracy, in the sense of equality of opportunity, is probably unique.

It is not part of my purpose to attempt an estimate of a possible wider application of these particular plans, nor would I have it inferred that I believe that any form of organization can in itself make much of a contribution to the solution of industrial troubles. In order to be useful an organization must be the expression of a right spirit in industry, a real desire to do justice among all of those who are employed in it and to render worthy service to the public.

In closing I must acknowledge obligation to the published information in regard to the Dennison Company; to the Filene Company for most valuable advice and information in connection with the Coöperative Association, and finally I must pay a particular tribute to the works of Ernst Abbe and his establishment of the Carl Zeiss Foundation to manage the famous optical works at Jena. Although we have copied little, if anything, from that organization, his splendid idea of dedicating his industry to the welfare of the totality of its co-workers, to the advancement of the art and science of optics and to the good of the public, so magnanimously conceived, so firmly based on sound practice, and so magnificently successful long after his death, has been most inspiring.